

STATEMENT OF GUY H. WENDLER
ON BEHALF OF AMERICAN BUSINESS MEDIA
BEFORE THE PRESIDENT'S COMMISSION ON THE POSTAL SERVICE
MAY 28, 2003

My name is Guy H. Wendler, and it is a privilege to appear before this Committee on behalf of the American Business Media. I am the president of Stamats Communications, Inc., a family-owned and operated publishing and marketing communications company based in Cedar Rapids, Iowa. A year ago, I completed my term as Chairman of American Business Media.

Stamats Communications publishes four periodicals mailed at Periodical rates: Buildings, Meetings West, Meetings East and Meetings South with circulations of 57,000, 26,000, 22,000 and 22,000 respectively, and they are typical of the specialized business publications mailed by American Business Media members. In addition, Stamats publishes directories and higher education marketing newsletters, and we assist 150 colleges and universities nationwide in their marketing efforts to their various audiences by providing research and consulting services and marketing services in traditional and electronic media.

As publishers of highly targeted, small circulation periodicals that serve virtually all the diverse segments of the American economy, American Business Media members rely almost exclusively on the Postal Service for delivery, and we therefore have a vital interest in the work of this Commission, for which we fought for seven years, and the nature of its recommendations. In our meetings with individual members of the Commission and its staff, we have been enormously impressed by the speed with which you have become educated about complex postal matters and the zeal with which you are pursuing your mission. We have reason to hope that better postal days are ahead, and they could not come at a more important time for our industry, which has been battered by an 81% increase in postage rates since 1990 and by dramatically declining advertising revenues in the past three years.

American Business Media's written comments presented our views on a number of issues facing the Commission. I will not try to summarize them here, except to say that we believe the *single most important change* that can flow from your work would be for the Postal Service to have and to exercise the means to control its labor and facilities costs. You have heard from others that the Postal Service lacks the will to control costs. We disagree and submit that the progress being made by Postmaster General Potter shows that the Postal Service is not lacking in will; rather it lacks the ability. We are convinced that if the Postal Service is provided with greater means to control and adjust

its costs in line with revenues as we have to do in our own businesses, many of the other problems it faces will diminish.

I would also like to address a more complex and contentious issue—the manner in which postal rates are set.

You have probably gleaned from our written statements—especially our rebuttal statement—that American Business Media's views of postal rate setting under today's law are not nearly as negative as those of many commenters. While time consuming, expensive and otherwise imperfect, this system is not responsible for out-of-control USPS costs, and, despite its shortcomings, it has (as the Postal Service showed you on January 8th) enabled the Postal Service to recover in revenues 99.5% of its costs since 1972, when the present system was implemented. Obviously, if the Postal Service had more control of its costs, it could have accomplished this result with smaller, less frequent rate increases.

Nevertheless, American Business Media recognizes that the Postal Service faces competitive challenges different from those it has managed to overcome in the past. We expect that calls for greater expedition and flexibility in postal ratemaking will not be ignored. American Business Media, can support incremental changes, especially in those areas (unlike the delivery of Periodicals) where the Postal service truly faces competition or where reasonable pricing changes can produce incremental revenues and contribution to overhead. But we cannot support cures for the alleged illness that are only marginally, if at all, related to the financial problems the Postal Service faces and that could produce for our small segment of the publishing industry the crippling rate increases they are intended to prevent.

Some have proposed the grant of near ratemaking autonomy to the Postal Service, a monopoly of gigantic proportions. If the pendulum is allowed to swing too far in this direction, especially if it results in a significant shift in ratemaking authority over Periodicals and other non-competitive classes, little if anything will have been done to respond to electronic diversion. Rather, the biggest mailers will have obtained their goal—the likelihood of lower rates for them at the expense of smaller mailers such as our company and other publishers of business information. A new system that permits a shift in the cost burden to captive mailers could possibly even destroy our company and many others and thereby hurt the economy by denying business decision-makers the information they now receive through business media. Like many American Business Media members, ours is a small business the success of which depends upon the availability of good postal delivery at reasonable prices. American Business Media members have already cut costs to the bone, laid off workers and, more recently, begun to reduce circulation in response to lower advertising revenues. Even a

well intentioned Postal Service should not be permitted to exercise unfettered rate authority.

Should the Commission decide that changes to the Postal Reorganization Act's rate provisions are necessary, we urge you to craft your recommendations in a way that continues to give a meaningful voice in the decision-making process to mailers of all sizes and classes. You should require that these voices be heard before, not after, final rates have been announced. Perhaps, if sufficient, transparent data are made available with adequate lead time, rates could be established by a final decision of the Postal Rate Commission after notice and comment rulemaking, rather than at the conclusion of time-consuming evidentiary hearings. Furthermore, if despite the fact that there is no competition for most mail, some pricing flexibility is deemed essential, rates for the competitive classes might be established as a range subject to the Postal Service's discretion. There must, however, be protections built in to assure that captive customers are not used as a cash cow to pay for any mistakes that might be made. For example, if a "summer sale" for catalogs produces only a shift in mail dates from fall to summer, rather than the intended increase in volume that would otherwise not have occurred, captive customers should not suffer the consequences. As long as and to the extent that the Postal Service is either a *de facto* or a *de jure* monopoly, its captive customers must be protected.

I conclude with another expression of American Business Media's gratitude for your taking on this enormous and enormously important task. We are confident that your recommendations will take into account the needs of all mailers, not just of those with the loudest voices and the biggest budgets.